Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

CONFIDENTIAL

PAGE 01 LIMA 09477 142206Z

70-62
ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 L-01 EB-03 TRSE-00 COME-00 CIEP-01

SP-02 SSO-00 NSC-05 NSCE-00 CIAE-00 INR-05 INRE-00

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C O N F I D E N T I A L LIMA 9477

LIMDIS

EO 11652: GDS
TAGS: EINV, EFIN, EIND, PFOR, PE
SUBJ: MARCONA - APPARENT BREAKDOWN OF DISCUSSIONS

FOR ARA - WILLIAM ROGERS; L- MONROE LEIGH; EB - THOMAS ENDERS; TREASURY - JON BUSHNELL; COMMERCE - DAN ARRILL; CIEP - WAYNE SHARPE; S/P - WINSTON LORD

SUMMARY: IN COURSE OF FISHLOW-DE LA PUENTE TELECON ABOUT 1:00 P.M. FRIDAY, NOV. 14, IT BECAME APPARENT THAT PACKAGE CONSISTING OF INTERIM RESUMPTION OF SHIPMENTS AGREEMENT AND MINPECO-MARCONA LETTER WAS NOT GOING TO FLY, AT LEAST FOR TIME BEING. DISCUSSION OF COMPENSATION ISSUE (AGREEMENT, PARA. A) HAD RAISED SOME PROBLEMS, BUT KEY ISSUE WAS APPARENT GOP UNWILLINGNESS TO SEND LETTER TO MARCONA. FISHLOW EXPRESSED GREAT DISSPPOINTMENT, POINTED OUT THAT WASHINGTON MIGHT CONCLUDE IN VIEW OF SECOND GOP REJECTION OF CONSTRUCTIVE AND IMAGINATIVE SUGGESTED SOLUTION THAT GOP NOT REALLY INTERESTED IN A PROMPT SOLUTION, NOR IS IT OTHERWISE ACTING IN GOOD FAITH. DE LA PUENTE SAID HE WOULD TALK TO PRIME VINISTER, BUT HELD OUT LITTLE HOPE FOR RECONSIDERATION OF GOP POSITION AT THIS TIME. END SUMMARY.

1. DE LA PUENTE CALLED FISHLOW EARLY AFTERNOON; SOME DISCUS-
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PAGE 02 LIMA 09477 142206Z

SION OF PROBLEMS WITH PARA. (A) OF DRAFT AGREEMENT ENSUED.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

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IT WAS OBVIOUS THAT GOP WANTED TO ESTABLISH IN TEXT ACCEPTANCE BY USG OF FACT THAT JUST COMPENSATION WAS COMPENSATIONTO BE ESTABLISHEDUNDER PROVISIONS OF GOP DECREE LAW. FISHLOW DEMURRED IN STRONGEST TERMS, AND ARGUED FOR U.S. LANGUAGE COMMITTING BOTH PARTIES TO DISCUSSIONS AIMED AT JUST COMPENSATION, WITHOUT REFERENCE TO PERUVIAN LAW. THIS ISSUE WAS NOT RESOLVED.

2. FISHLOW THEN ASKED ABOUT LETTER, DRAFT OF WHIHC WAS TO BE DELIVERED TO EMBASSY THIS MORNING. DE LA PUENTE INDICATED THAT SERIOUS PROBLEMS HAD ARISEN; MINISTERS WERE NOT REPEAT NOT PREPARED TO HAVEMINPECO SEND A LETTER OF ANY SORT TO MARCONA. GOP WAS WILLING ONLY TO SEND LETTER TO STEEL MILLS INDICATING THAT SHIPMENTS WOULD BE RESUMED BY MINPECO IN ACCORDANCE WITH PRICES AND CONDITIONS TO BE DETERMINED. FISHLOW NOTED THAT SUCH A LETTER COULD HAVE (AND PROBABLY HAS) BEEN SENT BY MINPECO AT ANY TIME IN THE PAST, WITHOUT ANY AGREEMENT BEING INVOLVED. DE LA PUENTE APPEARED TO RECOGNIZE THE UNACCEPTABILITY OF THIS APPROACH (CONFIRMED LATER WITH MARCONA) AND INDICATED PROBLEMS WERE ONES OF PRINCIPLE THAT COULD NOT BE RESOLVED BY DRAFTING CHANGES. FISHLOW ADVISED DE LA PUENTE THAT UNDER THE CIRCUMSATNCES THERE WAS NO POINT IN SENDING LETTER TO US.

3. FISHLOW SAID WE HAD TRIED TO COME UP WITH A SECOND BASIS FOR AN INTERIM SOLUTION, BUT THE GOP DID NOT SEEM WILLING OR ABLE EITHER TO MAKE THE NECESSARY DECISIONS TO IMPLEMENT, OR TO COME UP WITH VIABLE MODIFICATIONS. UNDER THE CIRCUMSTANCES, A COMMISSION MEETING SEMED USELESS. AND THE US GROUP WOULD SIMPLY RETURN HOME THIS EVENING AS PLANNED. HE ASKED DE LA PUENTE TO ADVISE PRIME MINISTER VARGAS PRIETO WHAT HAD TRANSPIRED AND DE LA PUENTE SAID THAT HE WOULD DO SO. FISHLOW EMPHASIZED HIS DEEP SENSE OF DISAPPOINTMENT AT THIS SECOND FAILURE TO AGREE TO WHAT HE FELT WERE IMAGINATIVE AND CONSTRUCTIVE SOLUTIONS. HE NOTED THAT THE UP-AND-DOWN COURSE OF THE NEGOTIATIONS THIS WEEK, COUPLED WITH THEIR ULTIMATE FAILURE TO REACH AN ACCORD, WOULD PROBABLY APPEAR TO WASHINGTON AS AN INDICATION THAT THE GOP WAS NOT REALLY INTERESTED IN DOING WHAT WAS NECESSARY TO ARRIVE AT A SATISFACTORY SOLUTION, AND EVEN THAT GOP MIGHT HAVE BEEN STRINGING US GROUP ALONG. CONFIDENTIAL

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PAGE 03 LIMA 09477 142206Z

FISHLOW REMINDED DE LA PUENTE THAT UNDER THESE CIRCUMSTANCES WE WOULD HAVE TO DO WHAT IS REQUIRED UNDER THE LAW, POSSIBLY PRODUCING A CONFRONTATION, A SITUATION HE REGRETTED BUT ONE THAT COULD NO LONGER BE AVOIDED. DE LA PUENTE SUGGESTED AGAIN A UNILATERAL GOP STATEMENT THAT IT WOULD PAY THE COMPENSATION FIXED BY THE AUDIT; FISHLOW SAID THAT WOULD BE WORSETHAN NOTHING, RAISING AS IT DID THE ISSUE OF ADEQUACY OF THE PROCESS UNDER THE PERUVIAN DECREE. DE LA PUENTE APPEARED EXTREMELY TIRED

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

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AND DISTRESSED OVER THE TELEPHONE, BUT OFFERED NO SUGGESTIONS. FISHLOW SAID THE US GROUP WOULD BE LEAVING LATE FRIDAY EVENING, BUT SAID HE COULD BE REACHED LATER IN THE DAY IF THERE WERE ANY NEED TO DO SO.

4. COMMENT: GOP MINISTERS HAVE APPARENTLY BALKED AT THE DIRECT PUBLIC RELATIONSHIP WITH MARCONA THAT LETTER IMPLIED, AND DID SO IN UNEQUIVOCAL FASHION. OUR GUESS IS THAT THE PROPOSAL MAY BE KICKED AROUND FURTHER WITHIN THE GOP DURING NEXT FEW DAYS, BUT FOR THE TIME BEING NO FURTHER ACTION ON OUR PART WOULD BE USEFUL. RATHER, BALL IS CLEARLY IN GOP-'S COURT, THEY MUST SEEK US OUT, AND WE WILL MAKE VERY EFFORT--WITH COUNTRY TEAM'S FULL COOPERATION--TO SEE THAT IN THE INTERIM MARCONA MATTER IS NOT RAISED OR DISCUSSED WITH ANY GOP OFFICIAL. IT IS TIME FOR GOP TO MEDITATE ALONE.
DEAN

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Margaret P. Grafeld
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